

HOUSING

<Expanded Housing Assistance
<Expiring Rental Housing Contracts

EXPANDED HOUSING ASSISTANCE

Background

The President proposes to issue 120,000 new Section 8 vouchers to add to the current 1.4 million used by low-income families to pay their rent. Of the new vouchers to be issued in 2001, 32,000 would be used for those who recently have moved off of welfare and 18,000 for the homeless. This expansion of the program would require an additional \$690 million appropriation in fiscal year 2001, on top of the almost \$5 billion increase to maintain the existing level of expiring contracts.

Key Points

- < Congress and the administration have already expanded the program by issuing 110,000 new vouchers over the past 2 years.
- < This proposal does nothing to convert existing dilapidated project-based assistance to the more market-oriented voucher program. By issuing new vouchers, the program is expanded, but this does not free the low income tenants who are faced with either staying in poor housing conditions or losing their subsidies.
- < Low-income Americans on the waiting lists for housing assistance may not benefit from expansion because half of the new vouchers will be devoted to politically motivated purposes, like issuing apartment vouchers to the homeless.
- < The administration should be concentrating its efforts on reforming the Department of Housing and Urban Development rather than on proposals that would have minimal effect.

Waste, Fraud, Abuse, and Mismanagement

- < According to the General Accounting Office, the current Section 8 assisted housing program wastes \$1 billion a year, about one out of every eighteen dollars devoted to the subsidies. Before expanding the program further, the Government should better administer the existing program to eliminate fraud and abuse, and put those savings to use.
- < The account that funds Section 8 assisted housing contracts contains nearly \$60 billion in unexpended budget authority, most of it obligated for long term contracts. Accounting on

many of these contracts is so poor that \$3.6 billion in excess budget authority has been found in the Section 8 program in the last two years alone.

EXPIRING RENTAL HOUSING CONTRACTS

Background

The Section 8 assisted housing program provides assistance to nearly 3 million low- income families by paying a large portion of their rent every month. The program is divided between tenant-based subsidies and project-based subsidies, the former are vouchers, which can be used in any project willing to take them. The latter subsidy attaches to the project itself and so is not portable. In each case, the Federal Government contracts with a private landlord to subsidize the apartment so that a low-income family may live there.

Key Points

- < When the program began in the 1970s, contract periods were for 20 years or more. But budget rules require that the budget authority to cover the entire cost of the subsidy over the full contract period be appropriated up front.
- < So since the late 1980s, due to budget constraints and the use of caps on annual budget authority, the time periods that the contracts cover have been shrinking: They started at 20 years, were reduced to 5 years, and now only cover only a year at a time.
- < Although contracts with shorter time periods individually cost less up front, the contracts must be renewed more often, and hence new budget authority must be found to keep the unit assisted more frequently.
- < Because long-term contracts that were originally signed in the late 1970s and early 1980s are coming due in addition to the contracts signed 5 years ago and last year, an increase in budget authority is required to keep the same number of apartments assisted due to this multiplier effect.
- < In fiscal year, the President recommends an additional \$4.79 billion in appropriations to provide the aggregate number of expiring contracts to be reestablished. This does not constitute an expansion of the program (although the President is separately recommending expansion), but rather additional budget authority required to keep the same number of contracts assisted.
- < As part of the 1997 Balanced Budget Act, Congress and the administration agreed that resources should be made available to continue to provide the existing level of assisted housing.

Waste, Fraud, Abuse, and Mismanagement

- < GAO found that HUD didn't have the required information on the physical condition of properties in the Section 8 non-FHA insured portfolio and no information on their financial condition. Though HUD's central database the results of inspections for about 63 percent of the properties and claimed most of the properties were in satisfactory or better physical condition, these assertions were not based on objective criteria and GAO says "their reliability is therefore unknown".
- < According to the GAO, many contracts on project-based Section 8 apartment buildings have rents that exceed market rents, which means that subsidized rents exceed market rents. Without reform, the Federal Government will continue to incur these high costs each year until the contracts expire. Further, many of these contracts are in the state agency program which are generally be among the last to expire, some as long as 20 years from now.
- < GAO has reported that opportunities for HUD to save millions in its non-FHA insured Section 8 project based assisted housing program were missed because regulations have not been issued on a law governing savings generated from refunded tax exempt bonds. The law was passed in 1992.